

## Message Text

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INFO OCT-01 EUR-25 ISO-00 EB-11 NSC-10 CIEP-02 SCI-06

INT-08 SPC-03 SAM-01 TRSE-00 FEA-02 L-03 PRS-01

CIAE-00 INR-10 NSAE-00 RSC-01 NEA-11 AF-10 COME-00

DRC-01 /126 W

----- 094587

P 071915Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 7810

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 01769

FOR SECRETARY FROM AMBASSADOR

E.O. 11652: XGDS-1

TAGS: ENRG

SUBJECT: WASHINGTON ENERGY CONFERENCE: AMBASSADOR'S  
CALL ON LORD CARRINGTON

REF: A) LONDON 1696 B) LONDON 1700 C) LONDON 1732

1. I CALLED ON LORD CARRINGTON, SECRETARY OF STATE FOR ENERGY, TO REVIEW UK POSITION AT ENERGY CONFERENCE. HE WAS ACCOMPANIED BY LEONARD WILLIAMS, DEPUTY SECRETARY, DEPARTMENT OF ENERGY, WHO WILL BE ATTENDING CONFERENCE. I EXPRESSED THE HOPE THAT THE UK DELEGATION TO THE CONFERENCE WOULD BE COOPERATIVE IN HELPING US CREATE A VIABLE RELATIONSHIP OF WORKING TOGETHER ON A UNIFIED APPROACH BETWEEN OIL CONSUMER COUNTRIES AND OIL PRODUCER COUNTRIES. IF THE CONFERENCE DID NOT PRODUCE REAL CO-OPERATION, THEN I FEARED THAT A BILATERAL RACE BY CONSUMER COUNTRIES TO OBTAIN OIL WOULD ENCOURAGE PRODUCERS TO DRIVE UP PRICES FURTHER AND THUS CREATE FINANCIAL IMBALANCES WHICH COULD RESULT IN A WORLD RECESSION HARMFUL TO BOTH CONSUMERS AND PRODUCERS. I RECALLED THAT THE DAY AFTER SECRETARY KISSINGER'S SPEECH ON DEC. 12 THE PRIME MINISTER HAD PUBLICLY WELCOMED OUR INITIATIVE AND  
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REFERRED TO IT AS A STEP AS IMPORTANT AS THE MARSHALL

PLAN. I SAID WE NEED THE SAME TYPE OF COOPERATIVE SPIRIT WHICH WE ALL DEVELOPED IN THE MARSHALL PLAN WHEN WE APPROACH THE CURRENT ENERGY CRISIS.

2. LORD CARRINGTON AGREED HEARTILY AND SAID THAT HMG WOULD GO ALONG WITH US 100 PERCENT. BECAUSE OF THE CURRENT GENERAL ELECTION CAMPAIGN, IT WOULD PROBABLY BE IMPOSSIBLE FOR HIM, AS CHAIRMAN OF CONSERVATIVE PARTY, TO GO TO WASHINGTON CONFERENCE. HE REGRETTED THIS, BUT IF HE COULD NOT GO, SIR ALEC WOULD DEFINITELY BE PRESENT. HE DOUBTED IF TREASURY MINISTER COULD GO, SINCE ANY MINISTER STANDING FOR REELECTION WOULD BE MOST RELUCTANT TO LEAVE COUNTRY DURING CAMPAIGN.

3. I GAVE LORD CARRINGTON THE TEXT OF SECRETARY KISSINGER'S TALK TO HARVARD, PRINCETON, YALE CLUB AS THE LATEST UPDATING OF OUR POSITION IN CONNECTION WITH THE CONFERENCE. HE THANKED ME AND SAID THAT HE HAD TWO BASIC COMMENTS TO MAKE. FIRST, THE VERY FACT THAT THE US HAD PROPOSED THE ENERGY CONFERENCE WAS AS IMPORTANT A

FACT AS ANY. SINCE THE US IS THE ONE COUNTRY AMONG THE DEVELOPED GROUP WHICH CAN BEST SURVIVE ALONE, HE THOUGHT IT VERY GENEROUS AND SIGNIFICANT THAT THE US WAS PROPOSING COOPERATIVE ACTION INSTEAD OF GOING IT ALONE. SECOND, HE EMPHASIZED THAT SUPPLY IS NOT THE MOST IMPORTANT PROBLEM. THE REAL RISK IS THE FINANCIAL AND ECONOMIC IMPACT ON THE WHOLE WORLD OF THE ENORMOUS INCREASES IN OIL EARNINGS TO PRODUCER STATES. THERE IS A VITAL NEED FOR INTERNATIONAL COOPERATION IN RECYCLING PRODUCER EARNINGS FOR THE GENERAL WORLD BENEFIT. HE HOPED THAT THE CONFERENCE WOULD PUSH THE FINANCIAL PROBLEM IN THE RIGHT DIRECTION AND STIMULATE PRIORITY TREATMENT THROUGH INTERNATIONAL COOPERATION IN IMF, OECD AND ELSEWHERE. WITHOUT INTERNATIONAL COOPERATION THE WORLD FACES RUIN.

4. I SUGGESTED THAT PRODUCER COUNTRIES WOULD HAVE TO GET IN AND HELP COOPERATE IN PRESERVING WORLD STABILITY. HE AGREED BUT POINTED OUT THAT PRODUCER COUNTRIES MUST NOT FEEL THAT THEY ARE BEING GANGED UP ON BY DEVELOPED

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CONSUMERS. WE MUST MAKE SURE THAT OUR INTENTIONS ARE CLEARLY TO COOPERATE WITH AND NOT CONFRONT PRODUCERS. THEREFORE, HE FELT THAT AS SOON AS POSSIBLE AFTER THE CONFERENCE DEVELOPED CONSUMERS MUST MAKE AN APPROACH TO PRODUCERS. HE FELT THAT 90 DAYS IS FAR TOO LONG TO WAIT FOR SUCH AN APPROACH. WILLIAMS COMMENTED THAT HMG FELT IT UNWISE TO MAKE SEPARATE APPROACH TO LDC CONSUMERS BEFORE APPROACHING PRODUCERS. SUCH A THREE-

STAGE APPROACH WOULD ALMOST CERTAINLY LEAD PRODUCERS TO  
FEEL THAT WE ARE TRYING TO USE LDC CONSUMERS AS ALLIES  
IN A CONFRONTATION.

5. CARRINGTON SAID UK FEELS SETTING UP COMPLICATED  
STRUCTURE OF WORKING GROUPS FOR CONFERENCE OF ONLY TWO  
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ACTION SS-20

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 01769

DAYS IS IMPRACTICAL. HIS PERMANENT SECRETARY, SIR JACK  
RAMPTON, IS NOW IN WASHINGTON TO ATTEMPT TO CONVINCE US  
THAT CONFERENCE WOULD BE MUCH MORE PROFITABLE IF ALL  
SESSIONS PLENARY.

6. IN COMMENTING ON EC POSITION, CARRINGTON CONFIRMED  
ASSESSMENT GIVEN BY WILLIAMS YESTERDAY (REFTEL B). HE  
SAID FRENCH AS USUAL HAD BEEN EXTREMELY NEGATIVE, ARGUING  
THAT US INITIATIVE IN CALLING FOR COLLECTIVE ACTION WAS  
ATTEMPT TO DOMINATE EUROPEANS. UK HAD WELCOMED US INITI\*-  
ATIVE, SAYING OBVIOUSLY NO OTHER COUNTRY WILLING OR ABLE  
TO LEAD. AS RESULT OF FRENCH OPPOSITION, EC POSITION NOT  
IDEAL BUT BRITISH REGARDED IT AS "MINIMAL POSITION" WHICH  
WOULD NOT PREVENT THEM FROM COOPERATING CLOSELY WITH US.

7. I MENTIONED DANGER OF BILATERAL ACTION UNDERCUTTING

INTERNATIONAL COOPERATION. CARRINGTON COMMENTED THAT BILATERAL DEALS BETWEEN CONSUMER AND PRODUCER GOVERNMENTS INEVITABLE GIVEN THE QUANTITY OF PARTICIPATION CRUDE WHICH PRODUCER GOVERNMENTS CONTROL. US INDEPENDENT OIL COMPANIES HAVE TENDED TO COMPLICATE PROBLEM. HE FELT ONE OF GOALS OF CONFERENCE SHOULD BE AGREEMENT TO SET UP A CODE TO WHICH GOVERNMENTS AND COMPANIES, INCLUDING US INDEPENDENTS, WOULD ADHERE. IF THIS COULD BE DONE, DAN-  
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TERS TO INTERNATIONAL SITUATION WOULD BE GREATLY REDUCED, EVEN IF FRENCH REFUSED COOPERATE.

8. CARRINGTON SAID COOPERATION IS ESSENTIAL IN NEW OIL EXPLORATION. HE FEARED, FOR EXAMPLE, THAT IF US ACCELERATED EXPLORATION ON EAST COAST MANY US RIGS NOW DRILLING IN NORTH SEA WOULD LEAVE AND THUS SLOW BRITISH PROGRAM. WILLIAMS COMMENTED THAT THIS SEEMED HIGHLY UNLIKELY.

9. IN SUMMARY, I SAID IT WAS CLEAR THAT WE NEEDED CONSTRUCTIVE DIALOGUE BETWEEN CONSUMER COUNTRIES AND PRODUCERS SO AS TO AVOID DISASTER. CARRINGTON SAID THAT NEW RELATIONSHIP WITH OPEC COUNTRIES WOULD HAVE TO BE DEVELOPED SINCE UNTIL NOW CONSUMERS HAD KEPT OPEC AT ARMS LENGTH. IF DEVELOPMENTS GO WELL, HE, AS OLD FRIEND OF ARABS, WOULD BE POINTING OUT TO IMPORTANT ARAB LEADERS THAT IF THEY PERSISTED THEY WOULD RUIN WESTERN EUROPE AND IN PROCESS BRING DOWN THEIR OWN GOVERNMENTS AND SOCIAL STRUCTURES.

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